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## Social Exclusion and Forms of Social Capital: Czech Evidence on Mutual Links\*

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**Abstract:** In this article the authors investigate the relevance of social capital to the economic and social inclusion of economically disadvantaged people. The analysis is based on data from a survey conducted on a special kind of sample, which is homogenous in one dimension of economic exclusion (income disadvantage), enabling a more in-depth study of how strongly this dimension of exclusion is associated with other dimensions of economic and social exclusion and how various forms and patterns of social capital influence economic and social inclusion (in these dimensions). The results of the analysis confirm that individual forms of social capital often play distinct and mutually independent roles. The analysis also reaffirmed findings that informal social capital is more important in the post-communist Czech Republic than formal capital and that the level of formal social participation and trust is quite low even in this specific population. All forms of social capital (distinguished here in terms of Woolcock's typology) have proven to be substantially associated with a degree of material deprivation; with informal networks showing the strongest correlation. Although these networks provide some protection against social exclusion, they are not a reliable buffer, since people of lower economic and social status have limited access to 'quality' social networks, and other forms of social capital are often absent.

**Keywords:** formal and informal social capital, general trust, trust in institutions, economic exclusion

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### Introduction

Social exclusion is usually defined as a disadvantage and as the impossibility of fully participating in various ways in the life of society: it has an economic, a social, a political and a cultural dimension. These dimensions are generally assumed to be interdependent and mutually reinforcing, thus producing a cumula-

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tive disadvantage. What is believed to be the major cause and the beginning of the chain of social exclusion processes is the inaccessibility of paid employment [cf. Dahrendorf 1988; Berghman 1997; Bauman 1998; Beck 2000, and others], because that has a fatal impact on the material standards of the households of the unemployed, reduces them to poverty and worsens their overall quality of life [Gallie 1999; Gallie and Paugam 2000]. The negative effects of unemployment and poverty then include the narrowing down of social networks to just the immediate family and closest friends, the loss of social capital, which could otherwise help a person to become re-employed [e.g. Granovetter 1973; Fitzpatrick 2001], and a decline in social status [e.g. Gans 1995; Giddens 1998; Bauman 1998]. A social stigma is frequently attached to long-term unemployment and lasting poverty, and these situations often lead to social isolation. However, some research has shown that the unemployed are no less sociable, in the sense of informal social contacts, than employed people; quite the contrary [Gallie, Paugam and Jacobs 2003]. Nevertheless, this stream of research has also shown that, although the frequency of informal contacts sometimes increases with unemployment, these networks provide less support than do the networks of the employed. This finding applies to both the UK and post-communist countries, including the Czech Republic [Gallie, Kostova and Kuchař 2001].

The question then arises as to what extent the unemployed and the economically deprived participate in other forms of social relations, such as voluntary organisations and civic sector initiatives or political institutions. Especially important is the question of what kind of attitude and approach they generally adopt towards the institutions of society at large, particularly those designed to safeguard civil rights and life chances. Another important question is to what extent these various forms of social participation or the related social capital (along with other forms of assistance) help unemployed and income-deprived people overcome the consequences of the economic dimension of social exclusion and help them maintain a certain standard or quality of life in mainstream society.

This article explores the link between the economic dimension of social exclusion (specifically, income disadvantage, material deprivation and unemployment) and the role of various forms of social capital at the individual level. The analysis draws on data from a survey conducted among a sample of people identified as income-disadvantaged on the basis of objective and subjective indicators (see below). Such a sample provides an opportunity to study in detail how strongly this dimension of economic exclusion is associated with other dimensions of economic and social exclusion and how strongly the various forms and patterns of social capital, understood here in terms of Woolcock's typology, influence various dimensions of economic and social exclusion.

We will first specify the relationship between social exclusion and various forms of social capital, and then we will describe the data sample and the methodology applied. The empirical findings are presented in two paragraphs: the first one focuses on the examination of different dimensions of economic exclu-

sion and the second one on the role of different forms of social capital for social inclusion in the economic dimension. The article concludes with a discussion of the main findings.

### Social capital and social exclusion/inclusion

Social exclusion is a process (and its outcome), whereby individuals or groups become detached from group or broader social relations. In other words, it is as a rupture of the relationship between the individual and the society at different levels.<sup>1</sup> It involves not only low income/poverty, polarisation, differentiation, and inequality on a vertical social axis, but also the state of being *in* or *out* of a circle [Burchardt, Le Grand and Piachaud 1999: 228], as a consequence of 'mechanisms that act to detach groups of people from the social mainstream' [Giddens 1998: 104]. 'An individual is socially excluded if (a) he or she is geographically resident in a society and (b) he or she does not participate in the normal activities of citizens in that society', where 'normal activities' may refer to the following: consumption activity, savings activity, production activity, political activity, and social activity [ibid: 230–231]. As such, social exclusion is simultaneously regarded as both a property of societies (largely process-oriented) and an attribute of groups and individuals or communities (largely outcome-oriented) [compare Berghman 1995, 1998; Berger-Schmitt 2000; Phillips 2006].

It can be claimed that social inclusion and social participation are usually grounded in some form of social capital. It is also for this reason that definitions of social capital accentuate its function in social participation, social inclusion and social cohesion. Social capital is construed as a quality, as a social resource or a social glue that is the property of a group, a community or a society, and as such it is available to its members. Bourdieu [1986: 249], for instance, defines it as 'the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalised relationships of a mutual acquaintance and recognition – or in other words, to membership of a group – which provides each of its members with the backing of the collectively-owned capital'. Similarly, Coleman [1988] understands social capital, defined by its function, as a resource for action that is available to actors and takes three forms: obligations and expectations, information channels, and social norms.

Woolcock [1998] then distinguishes among bonding social capital (established ties among members of a relatively homogeneous group such as the family or close friends), bridging social capital (ties among more distant friends, colleagues, and people different to oneself) and linking social capital (relationships among members of different social classes).

<sup>1</sup> Social exclusion may be defined as a result of the failure of institutions to integrate individuals; for example, democratic and legal systems, the labour market, the welfare state, the family and community [Berghman 1998: 258–259].

To sum up, social capital in its totality affects social inclusion, an individual's quality of life and personal development, but also economic growth, democratic governance and social cohesion at the macro level [cf. Putnam 1993; Knack and Keefer 1997; World Bank 1998; Fukuyama 1999; Phillips 2006]. All this takes place at multiple levels of social relations and owing to various forms of social capital. These are usually believed to include: a) shared informal social values and norms that enable co-operation [Fukuyama 1999: 16], of which the most important is trust, as 'the expectation that rises within a community of regular, honest and cooperative behaviour, based on commonly shared norms' [Fukuyama 1995: 25], b) horizontal, associational networks [Woolcock 1998; Putnam 1993], together with the mutual trust that they produce [Putnam 2000] and possibly also vertical social networks [Woolcock 1998], and c) civic and other social institutions [World Bank 1998; Woolcock 1998; Lockwood 1999; Rothstein 2001].

Knack and Keefer [1997] discuss the mutual links between various forms of social capital and explain that some forms of social capital, like interpersonal trust and civic norms, are positively associated with economic growth and incomes, since higher-trust societies spend less to protect themselves against exploitation during economic transactions and have higher incentives to innovate. This is not the case with the other form of social capital – associations within groups – owing to the contradictory effects of the conflicting interests between groups [Olson 1982], which offset the positive effects of solidarity and cooperative action emphasised by Putnam [2000]. Therefore, high social polarisation (ethnic, political, religious or income differences) increases individual and group rent-seeking activities (either legal or illegal) that undermine trust. Recently, Putnam [2007] argued that social diversity produces distrust, social isolation and anomie rather than conflict (the constrict hypothesis): in the short run, diversity strengthens bonding social capital, while precluding the creation of bridging social capital. On the other hand, wisely designed policies can alter this link if they enable the social deconstruction of the lines of social divide (the US Army being a nice example).

The notions of social inclusion and social capital are tightly intertwined and can even be seen to overlap, and they are difficult individually isolate. It is possible to regard social capital as a certain type of 'capability' that preconditions the process of social inclusion (in the sense of 'functioning' in the existing social structure). In many respects, the process of social inclusion also reinforces the social capital of society. Nevertheless, it is not always possible to clearly differentiate between the initial preconditions and the outcomes of the process of social inclusion, because such outcomes then become the preconditions for further dynamics. Aside from social capital, social inclusion is also naturally determined by other factors and occurs along other dimensions (the importance of the economic dimension has already been mentioned). However, these other dimensions are to some extent also influenced by social capital (see Figure 1).

Neither the individual dimensions of social exclusion nor the individual

**Figure 1. Dimensions of social capital and social exclusion/inclusion**

Social capital	Social inclusion (participation)
	<i>Economic:</i>
	– labour market – unemployment / employment
	– consumption (material deprivation)
	<i>Social:</i>
Support from informal networks (family, neighbours, friends)	– (non)participation in informal networks
Support from formal networks (associations, civic sector)	– (non)participation in civic society (formal voluntary networks)
Support from institutions (welfare state, etc.)	– (non)access to institutions
Inclusive effect of shared norms and a climate of trust	– (dis)respecting norms, moral (generally acceptable) behaviour
	<i>Political/civic:</i>
	– (non)involvement in the political process (elections and other activities)
	– (non)membership of political groups (parties) and their activities

dimensions/forms of social capital need necessarily be inter-correlated – as a number of analyses have shown [Knack and Keefer 1997; Woolcock 1998; van Oorschot and Arts 2004; Wallace and Pichler 2007, and others] – and therefore, they need to be strictly distinguished from one another, both at the general and the operational, empirical level. As regards social capital, Woolcock [1998] states that particularly two of its dimensions must be distinguished, namely, intra-community ties (integration, bonding) and extra-community ties (linkage, bridging). These can then combine to produce four possible scenarios, including low integration and low linkage (amoral individualism), low integration and high linkage (anomie), high integration and low linkage (sink communities) and high integration and high linkage (social opportunity). These scenarios can be perceived as forms (or degrees) of social inclusion.

The existing research on social capital in post-communist countries has drawn attention to the different patterns and configurations of forms of social capital and the significant effects these differences have on democracy and economic growth. Informal networks (bonding social capital) are recognised as a crucial

form of social capital in post-communist countries<sup>2</sup> but with little bridging capital between the higher and the lower social strata. At the same time lower level of trust in institutions and general trust was evidenced there [see Rose, Mishler and Haerpfner 1998; Rose 2001]<sup>3</sup>. Raiser et al. [2002] maintain that in contrast to developed democracies, the strong reliance on friends (informal social capital) does not lead to higher civic participation (formal social capital) in post-communist societies, which means that the pattern of social capital formation is different. Wallace and Pichler [2007] recently distinguished four 'social capital regimes': one of these patterns is the East-Central/Baltic/Balkan pattern, where informal social capital clearly substitutes formal social capital. This contrasts with the other regimes (for example, in the Nordic regime the relationship is complementary, while no very strong link was found in Western Europe or the Southern regime).

The way in which different patterns of social capital are formed is believed to be embedded in the cultural context and influenced by path dependency. Howard [2002], for example, explains the weak civil society in post-communist societies by three main factors: the history of mistrust of communist organisations, the continued existence of friendship networks and close circles of trusted friends and family that were developed under communist times and even during the transition period, and a certain post-communist disappointment arising from the citizens' sense of having been let down or cheated by the new system.<sup>4</sup>

### **The economic dimension of social exclusion and social capital**

We assume that there is a tight bond among all the three considered dimensions/concepts: the economic dimension of social exclusion, its social dimension and social capital (though we cannot determine the direction of causal influence); see Figure 2.

Nevertheless, the individual constituent parts and forms of these concepts/dimensions need to be distinguished, as some are more closely related to each other than others. For instance, both constituent parts of the economic dimension of social exclusion (labour market marginalisation and material deprivation) are probably very closely related. Conversely, various forms of social capital (informal, formal, institutional, and normative) are not necessarily tightly interdependent and mutually reinforcing, they can substitute or even counteract/offset one another. This can then have implications for the process of social inclusion

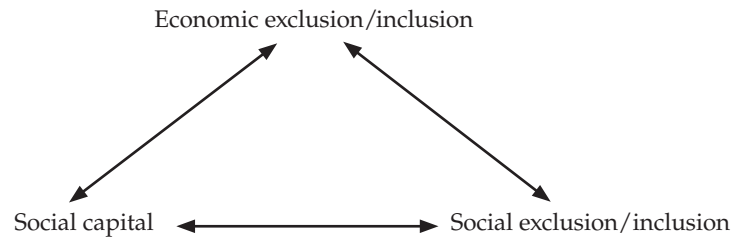
<sup>2</sup> For example, in Russia the climate of distrust of institutions and fear of being oppressed by institutions, along with the lacking infrastructure, play a role in the reliance on close networks [Rose 1995].

<sup>3</sup> Based on data from the New Europe Barometer Survey.

<sup>4</sup> Matějů and Vitásková [2006] discuss the negative consequences of the missing social capital in the form of generalised or institutional trust accompanied by a prevalence of informal networks for the process of market transformation and growth.



**Figure 2. Relations among economic exclusion/inclusion, social capital and social exclusion/inclusion**



and its outcomes. How do the specific forms of social capital and their configurations and combinations relate to social inclusion of economically (and socially) excluded people?

It can be assumed that the social inclusion of people facing the economic dimension of social exclusion, that is, material deprivation and/or exclusion from the labour market, will require far more than just the integration with the help of the bonding social capital represented by informal networks. This is because people prefer to rely on informal social networks, but the function of these networks as a resource is weaker in the case of unemployed, low-skilled, low-status people. In this case, the linkage dimension will also be especially important, as it involves integration into society at large, including access to the institutions that determine life chances and the exercise of civil, political and social rights.

Many factors can come into play in this respect. Access to the institutions of the welfare state (for example, in the form of universal entitlements granted by the welfare state) can be of key importance for creating trust in institutions and general social trust, as argued for instance by Rothstein [2001]. However, contrary to this assumption, people facing the economic dimension of exclusion must largely rely on schemes of social assistance based on means-testing or are even subjected to various practices of workfare. Such arrangements of the welfare state are generally considered stigmatising and seen to undermine social solidarity [Baldwin 1990] or generate socially antagonistic interests [Esping-Andersen 1990]. They also in large measure lead to the non-take-up of social rights [van Oorschot 1994]. All this destroys social capital at the level of access to and trust in institutions, and eventually also at the level of general trust in fellow citizens. Van Oorschot and Arts [2004] provide evidence (at the country level) that welfare state expenditure is positively correlated with overall social capital, but there is no correlation with informal solidarity, and therefore, they reject the 'substitution' ('crowding out') hypothesis.<sup>5</sup> By contrast, Vanhuysse [2006] has reconfirmed that the welfare state

<sup>5</sup> The substitution hypothesis suggests that the solidarity organised (and enforced) by the welfare state is crowding out informal solidarity.



destroys social capital: in spite of the increase in poverty, unemployment and social inequalities, the transition from communism to market democracy proceeded peacefully in Central Europe, including the Czech Republic, thanks to the deliberate use the political elites made of social policies designed to prevent massive job losses and/or to isolate highly aggrieved groups of workers in precarious jobs by breaking their social networks and undermining their potential for collective action in the form of strikes (particularly by using early retirement and disability schemes or by tolerating the grey economy). We would argue that it was not the general influence of the welfare state at work but rather a specific model of targeted income- and means-tested or group-specific policies.

### **Data and methodology**

In order to explore in greater depth the question of whether social participation and the various forms of social capital are associated with the various forms of economic exclusion, this analysis draws on data from the survey 'Social Exclusion and Social Policy', conducted at the end of 2004 and the start of 2005. The sampling unit was an individual showing signs of income disadvantage (though the survey also included questions about selected characteristics of the respondent's household). This was a special kind of sample, in that it was homogenous along one dimension of economic exclusion (income disadvantage), allowing us to explore more in depth how strongly this dimension of economic exclusion is associated with other dimensions of economic and social exclusion and how strongly the various forms of social capital influence these dimensions.

The sample contained 2225 individuals of working age (students and pensioners excluded) who either i) stated that they had received social assistance benefits in the course of 2004 owing to insufficient earnings, or ii) stated that they had considered claiming benefits at some point during 2004, since they had subjectively perceived their income situation as comparable (that is as equally difficult) to that of benefits recipients. This latter category of respondents accounted for about one-third of the survey sample.<sup>6</sup>

<sup>6</sup> The reason for covering the sub-group of respondents who do not exhibit 'objective' evidence of income disadvantage (do not receive repeated social assistance benefits) but rather 'subjective' evidence of it (they perceive their situation to be similar to that of benefits recipients) was to avoid the Type I selection error noted by Halleröd [1995], that is, the error of relying purely on the 'objective' criterion of poverty. There exists circumstantial evidence in the Czech Republic suggesting the non-take-up of benefits to which potential recipients are legitimately entitled (occurring alongside benefits over-use), and the extent of such non-take-up is not negligible [Mareš 2001]. Therefore, it would be a weighty omission if we limited ourselves merely to benefits recipients. This presumption about the existence of the category of poor people, who, despite being entitled to social benefits, do not receive them, was verified in the course of the research. All other factors aside, it is evidenced by the fact that average income per head (calculated on the basis of the so-called

The sample can thus be described as a purposive quota type sample constructed so as to sufficiently represent the main types of respondents according to sex, age and the type of household they live in, in order to enable comparisons, and therefore, it does not correspond to the structure of the overall population of the income disadvantaged. At the time of research around 5–6% of the economically active population was identified as social assistance benefits claimants, 60% of which were unemployed.<sup>7</sup> The quotas for this sample were defined from an analysis of the structure of recipients of social assistance benefits [Sirovátka et al. 2005] in order to capture the main ‘types’ of income disadvantaged people as identified in this analysis: about 30% are people under the age of 25, about 50% are people aged 25–45, and about 20% are people over the age of 45; equal shares of men and women (50% each), and roughly equal shares of respondents living in households with no children, two-parent households with a child/children, and single-parent households with a child/children (about one-third each).<sup>8</sup>

The economic dimension of social exclusion is measured in this study in terms of marginalisation in the labour market, income disadvantage, and material deprivation. To identify marginalisation in the labour market we used repeated and long-term unemployment (for more than twelve months). The analysis of material deprivation builds on the neutral term ‘income disadvantage’, which (as has already been mentioned) encompasses both an objective and subjective indication. Income was analysed on the basis of the declared incomes in the respondents’ households and calculated per capital household income using the Eurostat [2000] equivalence scale: the respondent’s weight 1.0, the weight of other adults in the household 0.5, and the weight of children 0.3. Then material deprivation was analysed as a multidimensional phenomenon and studied its individual constituent parts: income deprivation, the deprivation of basic needs (food, clothing, and vacations), deprivation related to household utilities, and housing conditions. These indicators are rather well-established and broadly used to measure the scope and structure of poverty, the nature of material deprivation and social exclusion, and have been assessed by experts as relevant for international comparison [Eurostat 2000]. In addition to these primary indicators of deprivation standardly used by Eurostat to monitor poverty and social exclusion, we recorded other indicators of deprivation that we regard as ‘supplementary’ in the sense

equivalence scale) in the category of benefits recipients was in fact comparable to that in the category denoted as merely ‘subjective’ income-disadvantaged people (Czk 4700 and 4830, respectively).

<sup>7</sup> The authors’ analysis based on statistics provided by the Ministry of Labour and Social Affairs.

<sup>8</sup> The set quotas roughly respect the age structure of income-disadvantaged people in the entire population, but – for the sake of meeting the numbers of respondents in the analysed type groups – they over-represent respondents in two-parent households with children (the share of which among income-deprived people is in reality no more than 20%), and, conversely, under-represent individuals (who account for over one-half of benefits recipients in reality).

that they extend beyond basic life necessities and material deprivation. They are nonetheless important, as they indicate access to life chances, capabilities [Sen 1992], and thus the possibilities of functioning in a certain social structure. The specific concern in this case is the possibility people have to shape the conditions of their own lives and exercise control over their own personal development, future, and the future of their children. It is these circumstances that correspond with the established definition of social exclusion, such as deprivation in terms of access to the institutions that determine life chances, the possibility to live up to the mainstream standard of life, and the opportunity to participate in various areas of social life [Room 1995; Atkinson 1998; Atkinson et al. 2002]. To be even more specific, it is about the ability to get a mortgage and to have health, accident, or supplementary pension insurance, and about being able to send one's children to college or to pursue one's own cultural interests, and so on.

The overall degree of material deprivation and social exclusion was measured through the use of aggregated indicators: we used a cumulative index constructed from a set of twelve selected items that had the best result in the reliability test out of all possibilities that we tested. While the index included items based on 'supplementary' but, from the perspective of the social exclusion concept, significant indicators, it also retained those items relating to material deprivation that have traditionally been considered of key relevance. The value of the cumulative indexes indicates the percentage of items where the respondent is significantly (heavily) deprived out of the total number of items in the index (the values thus range from 0 to 100).

In conformity with Figure 1 the following items are used to measure social capital and social participation:

- the frequency of interpersonal contact with friends, in order to identify the importance of informal social networks;
- a cumulative index of membership of voluntary associations in the non-governmental sector, in order to identify the importance of formal social networks (five items – membership of organisations such as interest or sports groups, or public benefit organisations, or mutual benefit associations and civic initiatives, or parental associations and youth clubs, and membership in unions);<sup>9</sup>
- in order to indicate social capital at the institutional level, trust in institutions is monitored (indicated by dis/agreement with the statement: 'There's no point in turning to institutions, because they are not much interested in the problems of the ordinary person');
- the item used to indicate social participation at the level of access to institutions was: 'The likelihood that our social assistance claims will be rejected is high';<sup>10</sup>

<sup>9</sup> These indications can be interpreted both as proxies for social capital and social participation (inclusion).

<sup>10</sup> Materially deprived persons find this aspect of access to institutions as possibly being of the greatest significance.

- the time used to indicate the level of general social trust and respect for norms as a form of social capital was: 'Nowadays a person cannot tell on whom to rely.'

While the operationalisation of these items may be open to discussion, we set out from the view that the items need to be understood more as proxies. Given the scope of the questionnaire, we could not, for example, analyse in more detail social capital and social participation at the level of various types of formal and informal networks. However, this is not a fundamental problem in light of the above-mentioned overlap between both concepts.

## The findings on economic exclusion and social capital in the Czech Republic

### *The economic dimension of social exclusion*

The economic dimension of social exclusion evidently deserves attention in the Czech Republic. The percentage of socially excluded people and households seems relatively low in the Czech Republic [Večerník 2004; Mareš 2006; Sirovátka and Mareš 2006] and the other 'primary indicators' of social exclusion adopted by the EU are also mostly rather low [European Commission 2007], but the unemployment rate of young people is above average, and the proportion of long-term unemployed is high. However, if the at-risk-of-poverty rate measured by Eurostat standards was 10% in 2005, this had a disproportionate effect on specific groups, like the unemployed, single-parent families with children, families with three or more children, and children in general: their at-risk-of-poverty rate was 51%, 41%, 24% and 18%, respectively [ČSÚ 2007].

Generally speaking, a relatively decent degree of consistency can be observed between the two key dimensions of economic exclusion: marginalisation in the labour market and indicators of income disadvantage and material deprivation. A cardinal characteristic of income-disadvantaged people (which applies to practically all the respondents in the sample) is usually some form of marginalisation in the labour market resulting from:

a) the type of current or previous employment: if employed at all, then in just 56% of cases people were employed on the basis of indefinite employment contracts, and in 7% of cases they worked on a self-employed basis, while the remainder had fixed-term employment or occasional work without an employment contract;

b) repeated bouts of unemployment: not only were over one-third of the people/sample unemployed, but most of the unemployed were unemployed in the long term or repeatedly.

c) hidden unemployment: about 11% of the unemployed in the sample were not registered as unemployed; it was possible to identify another 12% of the unemployed who could be referred to as 'discouraged' (they would accept a job but

**Table 1. Supplementary indicators of material deprivation - by position of the respondent's family members in the labour market (in %)**

Respondent (or one of the respondent's family members):	Total	Hous. of fully empl.	Hous. of partially empl.	Hous. of unempl.	CC (sign. .000)
Has a mortgage	25.6	32.6	31.5	14.5	.194
Has supplementary pension insurance	17.5	24.6	17.4	9.8	.174
Has health/accident insurance	37.9	47.3	45.0	23.0	.229
Has the choice of sending children to college (provided they have children)	52.5	61.3	61.0	33.7	.249
Has the choice of going out to see a concert, a theatre performance, etc., at least once a month	40.1	48.3	40.0	31.0	.154

Note: The questions were: 'Do you or anyone in the family have...?'  
 'Partially employed' households – one of the partners is working.

do not actively search for one), most typically owing to a lack of belief in the idea that they might find one.

d) in households of income-disadvantaged people unemployment tends to accumulate: one-quarter of those living in two-person households had current or previous experience of parallel unemployment.

The differences in income by position in the labour market observed in the sample were rather modest, since income, in the case of unemployed people, is supplemented with social benefits to the level of the subsistence minimum. Nevertheless, we found that (even short-term) employment does alleviate benefits dependency among income-disadvantaged people: 69% (60%) of those with a permanent (temporary) job were not dependent on welfare, while among the unemployed the figure was only about one-fourth ( $\text{Eta} = 0.395$ ,  $\text{sign.} = .000$ ). Moreover, employees with a permanent job less often than unemployed or inactive persons faced subjective income deprivation (13% compared to one-third)<sup>11</sup> or overall material deprivation (31% compared to 46%). Conversely, the situation of temporary workers was only a little better than the situation of the unemployed (42% were deprived).<sup>12</sup>

It is precisely the above areas that indicate the possibility of being able to live up to the 'majority life style' and to some extent also the possibility to deter-

<sup>11</sup>  $\text{Eta} = 0.290$ ,  $\text{sign.} = .000$

<sup>12</sup>  $\text{Eta} = 0.228$ ,  $\text{sign.} = .000$

mine one's own destiny or the destiny of one's children, where material deprivation faced by income-disadvantaged people is relatively strong and at the same time differentiated according to their position in the labour market – more so than in the case of some other indicators of material deprivation (see Table 1).

The situation of respondents living in unemployed households, in comparison with those who live in fully or partially employed households (with the latter two types not being significantly different from each other in this regard), is clearly marked by limited possibilities to pursue cultural interests or send children to college (only about one-third of these households declared having such possibilities). Similarly poor is their participation in supplementary pension insurance and the use of mortgage schemes (10% to 15%). In view of this, it is obvious that employment and related income provides the households with some security and disposable income, which they can use with greater confidence at their own discretion and do some financial planning. This can then in fact be considered a part of sharing the mainstream life style. We could therefore regard participation in the labour market as a certain kind of both economic and social capital, because it both guarantees a clear social status and facilitates the ability of people to influence their own destiny and the destiny of their family and to participate in the mainstream life style.

### **The economic dimension of social exclusion – and social capital**

When we review the relationship of various dimensions of social exclusion and social capital to the position of income-disadvantaged people in the labour market and their subjective income and material deprivation, we find that while the sociability of income-disadvantaged people in informal or voluntary formal networks is not, generally speaking, too low, the subjective indicators point in most cases to poorer access to social entitlements, in two-thirds of cases to distrust of institutions, in three-quarters of cases to general distrust, and (in 28% of cases) to a decreased interest in going to the polls; see Table 2.

Using Woolcock's typology we would arrive at only 9.2% of respondents who are not integrated in social networks (they are in contact with friends less frequently than once a month and are not members of any voluntary organisation, and are without a more general social linkage, indicated by a lack of trust in either institutions or more generally in other people), and at 5.2% of respondents who are not integrated in social networks but have some general social linkage (i.e. trust). Finally, we find that half of the respondents (48.9%) are integrated in social networks but lack a more general social linkage (trust), and 36.9% are integrated in social networks and have some social linkage. This finding is of crucial importance in that it confirms the high proportion of the excluded in the economic dimension who have tight relationships with their close circles of friends and family, yet are at the same time exposed to social isolation in the wider society

**Table 2. The social capital linked to a person's position in the labour market and material deprivation (ETA coef. and contingency coefficient, significance)**

	Frequency in %	Position in the labour market (Eta)	Does not have great difficulties making ends meet (CC)	Index of mate- rial deprivation below median value (CC)
Frequency of contact with friends (on almost a daily basis, more than once a month, less than once a month)	19.5 62.9 17.6	.127 (.000)	.137 (.000)	.146 (.000)
Membership in voluntary organisations (yes, no)	24.1 75.9	.154 (.000)	.116 (.000)	.092 (.000)
Probability of social assistance claims being rejected (is not high, is high)	55.0 45.0	n.sign.	.070 (.003)	.093 (.000)
Distrust of institutions (no, yes)	33.4 66.6	.064 (.000)	.086 (.000)	.093 (.000)
Distrust of people in general (no, yes)	76.6 23.4	n.sign.	.072 (.001)	.074 (.000)
Interest in going to the polls (yes, don't know-no)	28.2 81.8	.097 (.000)	.075 (.000)	.120 (.000)
Chances of poor people to escape poverty (yes-at least a small chance, no chance)	69.1 30.9	.106 (.000)	.265 (.000)	.191 (.000)

and face a lack of trust from people and institutions. Second, what is surprising is that about one-third of economically deprived people possess both dimensions of social capital.

This pattern does not significantly vary in the case of the position in the labour market or the level of income or material deprivation, characteristics such as a worsened position in the labour market and a greater degree of income and material deprivation are associated with only a mild worsening of indications of social capital, and that particularly in terms of the frequency of informal contacts, partially also in terms of involvement in voluntary formal networks and participation in elections; on the other hand, indicators of trust in and access to institutions (social entitlements) and general trust remain constantly low, or possibly worsen only slightly in dependence on the worsening of objective indications. This finding for this specific population is consistent in general terms with the finding by Matějů and Vitásková [2006] for a representative sample of the popula-



tion. The results in fact confirm the already discussed trade-off between informal and formal social capital is strong in the Czech Republic, even in the case of the specific sub-sample of the economically deprived population who are rather rich in informal capital in terms of frequency of social contacts but show relatively higher levels of distrust and low participation in formal civic organisations.

If we examine the correlations of aggregate social capital, as measured by the variable constructed on the basis of Woolcock's classification, it is possible to identify a weak correlation with subjective income deprivation ( $ETA = .149$ ,  $sign. = .000$ ) and material deprivation ( $ETA = .148$ ,  $sign. = .000$ ), whilst correlation with the position in the labour market is insignificant. The analysis also included one supplementary item that expresses a subjective reflection of the overall degree of inclusiveness of society, or more specifically, a subjective assessment of the chances of poor people to escape poverty. This can be considered the most general (aggregate) characteristic of the importance of social capital in relation to the life chances of the income-disadvantaged. As can be seen, this aggregate characteristic correlates only mildly with the respondents' position in the labour market, but moderately strongly with their overall material deprivation, and it correlates strongly with their subjective assessment of their income situation.

### The dimensions of social capital and their significance for economic inclusion

The association between the three aforementioned forms of social capital at the individual level is relatively weak. Only with respect to the dimension of trust was a moderately strong association found between trust in institutions and general trust in other people ( $ETA = .333$ ,  $sign. = .000$ ). Similarly, trust in institutions is moderately strongly associated with the subjective perception of access to institutions that guarantee social entitlements (operationalised as the probability of benefits claims being rejected) ( $ETA = .227$ ,  $sign. = .000$ ). The hypothesis about the mutual independence of various forms of social capital is thus confirmed.

The perception of the overall inclusiveness of society, as measured by the assessment of poor people's chances to escape poverty, shows between a weak or moderately strong association with all the three dimensions of social capital and with the institutional dimension of social exclusion (access to social entitlements), the strongest being the association with trust in and access to institutions, but at the same time also the frequency of informal contacts ( $ETA = .153$ ,  $sign. = .000$ ). All the three forms of social capital considered clearly have some relevance for assessing the life chances of income disadvantaged people to escape their income disadvantage. This is also apparent from the association of this variable with the overall proxy of social capital constructed according to Woolcock's typology, which is greater than the association with its individual forms ( $ETA = .224$ ,  $sign. = .000$ ).

Therefore, we next examine the importance of individual forms of social capital – in comparison with individual characteristics of income-disadvantaged

**Table 3. Logistic regression – the ratio of probability that the respondent:**

a) is employed

b) is facing above-average material deprivation (index value is above median value)

c) sees certain chances of the poor to escape poverty

	Is employed		Is materially deprived		The poor have chances to escape poverty	
	Exp (B)	sign.	Exp (B)	sign.	Exp (B)	sign.
Contact with friends:						
Almost on a daily basis	,671	,004	,336	,000	1,773	,000
More often than once a month	1,032	,773	,557	,000	2,583	,001
Less often than once a month	Ref.		Ref.		Ref.	
Member of a voluntary organisation	1,972	,000	X		1,627	,000
Not a member of a voluntary organisation	Ref.		X		Ref.	
Probability of social benefits claims being rejected is seen as high	x		1,574	,000	,634	,000
Is not seen as high	x		Ref.		Ref.	
Distrusts institutions	1,311	,003	X		,566	,000
Does not distrust institutions	Ref.		X		Ref.	
Distrusts people in general	x		1,522	,001	x	
Does not distrust people in general	X		Ref.		x	
Elementary education	,364	,000	8,866	,000	1,029	,875
Lower secondary educ.	1,045	,703	3,711	,000	2,010	,000
Complete second. educ.	1,064	,642	2,346	,000	2,720	,000
University education	Ref.		Ref.		Ref.	
Has health problems	x		1,462	,003	x	
Does not have health problems	x		Ref.		x	

	Model summary	Model summary	Model summary
Chi square	173.028 (7) sig. .000	767.483 (8) Sig. .000	381.665 (8) sig. .000
-2 Log likelihood	2861.570	1776.368	1958.400
Nagelkerke R Square	.101	.456	.270

Note: x = was not included in the model (not significant).

people, particularly their human capital – both for economic exclusion/inclusion (i.e. position in the labour market, and material deprivation), and for subjective chances of social inclusion in general.

Social and human capital variables best explain the differences in the degree of overall material deprivation, and to some extent also the respondents' assessment of poor people's chances to escape poverty (inclusiveness of society), although the actual financial situation can in fact be very similar (see Table 3). However, they are less relevant for explaining employment chances (see the Nagelkerke R Square figures in the models above).

Access to employment for income-disadvantaged people is significantly lower in the case of people with elementary education (as opposed to people with a university degree), though differences in relation to other educational categories are insignificant. The effect of both human capital and social capital on the employment of income-disadvantaged people is equally ambiguous. Employment is, indeed, markedly higher (with chances being twice as high) in connection with membership in voluntary organisations. However, it is interesting to see that employment chances are lower in the case of people with nearly daily contact with friends (as opposed to those who are in touch with friends less often than once a month)<sup>13</sup>, and, conversely, higher in the case of people who distrust institutions. We could infer from this that weak ties can actually play a greater role when it comes to finding employment than intensive friendship ties narrowed down to just the community of close friends. Distrust of institutions can then act as an incentive to rely more on one's own assets and make a greater effort to find gainful employment.

Unlike employment status, material deprivation is strongly inversely associated with human capital and with informal social ties, general trust in people and access to institutions, that is, with all forms of social capital. What appears to have the most pronounced is completed education, and the respondent's overall health status also plays a role. The leverage of informal social networks in terms

<sup>13</sup> For a similar conclusion on the unemployed, see Gallie, Kostova and Kuchař [2001]. The authors show that in spite of more frequent informal social contacts, support from these networks is less helpful than in the case of employed people.

of support in the situation of deprivation is considerable (up to threefold differences in the likelihood of material deprivation), and access to institutions and general trust play an undeniable role, too. Although a variety of models were tested, the relevance of membership in formal organisations to the degree of a respondent's material deprivation was not clearly proven in an analysis of social and human capital variables, nor was that of a person's position in the labour market, health status or family type.

The assessment of chances of escaping poverty (an assessment of the inclusiveness of society) is, again, greatly influenced by all three forms of social capital: the chances of escaping poverty are seen to be as much as twice as high in the case of people with more frequent contacts with friends (as opposed to those who have contact with friends less often than once a month), and also in the case of those who have a better outlook on their possibility to exercise their social entitlements in relation to the authorities and those who express trust in institutions. Finally, chances are seen to be almost twice as high in the case of those who are members of voluntary organisations. The impact of education is somewhat surprising: people with secondary education (either complete or incomplete) assess the chances of escaping poverty as being realistic twice as often as people with a university degree. This contradicts the sharper material deprivation among people with lower education and the better employment chances of people with a university degree.<sup>14</sup>

In sum, in an analysis of the effects of social capital it is proven to have an important role on material deprivation in particular and also on people's perceptions of their overall chances of escaping poverty.<sup>15</sup> On the whole, the importance of social capital is comparable to that of human capital (particularly education, the effects of which – unlike those of social capital – are in some respects far from unequivocal).

If all the individual dimensions of social capital are merged into one proxy for social capital, using a combination of variables relating to integrative formal or informal networks (ties of friendship and membership in voluntary organisations), together with variables concerning trust in institutions and general trust in other people (a more general linkage with society at large), the outcomes of the analysis are quite similar (see Table 4). The ambiguous effects of social capital (and to some extent also of human capital) on current employment are reconfirmed. Conversely, the impact of social capital, as well as human capital, on the level of material deprivation is strong; what is decisive here are integrative networks and

<sup>14</sup> People with a university degree may associate the idea of escaping poverty with higher aspirations and other visions more than others do. The homogeneity of the sample may also play a role, given the possible intervention of hidden variable(s). Finally, human capital in transformation countries is in many cases indicated by outdated and obsolete skills recognised as formal education, which makes this measure less relevant.

<sup>15</sup> In conformity with Gallie, Kostova and Kuchař [2001], Raiser et al. [2002], Wallace and Pichler [2007], Matějů and Vitásková [2006].

**Table 4. Logistic regression – the ratio of probability that the respondent:**

a) is employed

b) is facing above-average material deprivation (index value is above median value)

c) sees certain chances of the poor to escape poverty

by an aggregate indicator of social capital

	Is employed		Is materially deprived		The poor have a chance of escaping poverty	
	Exp (B)	sign.	Exp(B)	sign.	Exp(B)	sign.
Social capital (aggregately-Woolcock)						
Has neither networks, nor trust	1,312	,094	4,248	,000	,337	,000
Does not have networks, but has trust	1,279	,241	1,842	,054	,661	,099
Has networks, does not have trust	1,144	,148	1,168	,206	,677	,001
Has both networks and trust	Ref.		Ref.		Ref.	
Probability of social benefits claims being rejected is seen as high	x	x	1,503	,001	,700	,001
Is not seen as high	x	x	Ref.		Ref.	
Elementary education	,380	,000	5,063	,000	1,799	,000
Lower secondary educ.	1,214	,018	2,335	,000	3,898	,000
Complete second. educ.	1,392	,001	1,565	,001	5,565	,000
University education	Ref.		Ref.		Ref.	
Has health problems	x		1,463	,003	X	
Does not have health problems	x		Ref.		X	
	Model summary		Model summary		Model summary	
Chi square	113,070 (6)		759,044 (8)		324,066 (7)	
-2 Log likelihood	2914,597		1768,171		2011,840	
Nagelkerke R Square	.067		.454		.233	
	.000		.000		.000	

Note: x = was not included in the model (not significant).

to some extent also access to institutions. Similarly significant are the variations connected with education levels and to some extent also health status. The chances of escaping poverty decrease with decreasing social capital, while integrative networks and a more general linkage with society at large are of roughly equal importance. And again, a role is also played by access to institutions that provide social assistance to people in poverty. The effects of human capital are obviously not as strong and unequivocal: people with lower education have less of a chance of escaping poverty than people with secondary education. However, again, it is people with a university degree that declare the lowest chances (in contrast to their lower material deprivation).

## Conclusion

Here we have examined the significance of various forms of social capital for a category of people homogenous in terms of income disadvantage. They differed, however, in terms of their capacity to participate in mainstream life and in the corresponding degree of material deprivation. We analysed the relationship between the economic dimension of social exclusion and individual forms of social capital and confirmed the assumption that the association among various forms/dimensions of social capital is not very strong, which means that individual forms of social capital often play distinct and mutually independent roles. It was found that employment enables participation in the mainstream lifestyle and lessens material deprivation, though it had little effect on the level of income in the sample, which was homogenous in this respect.

A number of analyses have already shown that in post-communist countries (including the Czech Republic) there is generally a poorer level of trust in institutions and in other people, along with other, essentially negligible differences in the individual dimensions of social capital. They have also revealed a lower level of civic involvement [Raiser et al. 2002; van Oorschot and Arts 2004; Halvorsen 2005; Wallace and Pichler 2007]. Our analysis reaffirmed the findings that informal social capital is more important in the post-communist Czech Republic than formal capital, and that the level of formal social participation and trust is generally low. This was revealed, in an extreme form, in the above analysis of income-disadvantaged people; in the case of a great many of them, poor access to institutions is associated with low trust in institutions and in fellow citizens. This deficiency in some forms of social capital can to some extent be compensated for by relatively strong networks of friends or, possibly, by involvement in formal organisations in the civic sector, but, as the data also clearly show, this still leaves considerable limitations with respect to the advancement of the capabilities necessary for inclusion in the labour market and related areas.

The role of informal and formal social participation has been proven to be substantially associated with the degree of material deprivation; with informal

networks showing the strongest correlation – more frequent informal contacts correspond with a lower degree of deprivation. Social capital (as an aggregate of its individual dimensions) has also a moderately strong effect on the perception of the chances of overcoming material deprivation, with all of its forms having some influence (informal networks, involvement in formal organisations, and trust in institutions and other people). Social capital even seems to have a more significant and consistent effect than human capital (which may seem somewhat surprising).

While nearly one-third of income-disadvantaged people are 'rich' in both the formal and informal dimension of social capital, with positive consequences in terms of alleviation of their material deprivation and increased subjective chances to escape poverty, about one-half of them are socially isolated in terms of the dimensions of formal social capital, with inverse negative consequences for their material deprivation and subjective chances to escape poverty. The effects of social capital on material deprivation and the subjective chances of escaping poverty are particularly strong when combined with the effects of human capital. Informal social networks can at times provide some protection against social exclusion, when other forms of social capital are lacking. However, they are not a reliable buffer, since the availability of 'quality' social networks is too often limited in the case of people of lower social status. In the case of the Czech Republic it is mostly the deficiency of general and institutional trust that prevents effective social inclusion. A crucial issue appears to be the trustworthiness of public institutions and the administrative system that delivers benefits to the income disadvantaged and the other institutions closest to them.

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## **Appendix:**

### **A list of items indicating material deprivation**

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Index (12 selected items)

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alpha = .7423

F = 505,8052

(prob. 0000)

#### **Financial deprivation**

- makes ends meet with great difficulties
- finds it difficult to pay rent, bills

#### **Deprivation of basic needs**

- does not eat meat, chicken, fish every other day
- cannot buy new clothes
- cannot afford a week on vacation away from home
- cannot afford sufficient heating at home
- cannot afford to send children to college
- cannot afford to go to a concert or the theatre or eat out once a week

#### **Housing deprivation**

- insufficient space
- damp housing

#### *Deprivation related to the possession of durable consumables*

- does not have a telephone
  - does not have a car
- 

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